

House File 464 - Introduced

HOUSE FILE 464

BY KOESTER

A BILL FOR

1 An Act providing for an individual and corporate income tax
2 credit for contributions made to certain home school grant
3 organizations and including effective date and applicability
4 provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 422.11R Home school grant
2 organization tax credit.

3 1. For purposes of this section:

4 a. "*Certified enrollment*" means the number of eligible
5 children that are currently receiving competent private
6 instruction from the qualified instructor submitting a
7 participation form pursuant to subsection 6, paragraph "d".

8 b. "*Competent private instruction*" means the same as
9 provided in section 299A.1.

10 c. "*Eligible child*" means a child of compulsory attendance
11 age who is under competent private instruction and who is a
12 member of a household whose total annual income during the
13 calendar year before the child receives a home school grant
14 for purposes of this section does not exceed an amount equal
15 to three times the most recently published federal poverty
16 guidelines in the federal register by the United States
17 department of health and human services.

18 d. "*Home school grant*" means a grant to an eligible child to
19 cover the qualified educational expenses of the eligible child.

20 e. "*Home school grant organization*" means a charitable
21 organization in this state qualifying under section 501(c)(3)
22 of the Internal Revenue Code as an organization that is exempt
23 from federal taxation under section 501(a) of the Internal
24 Revenue Code and that does all of the following:

25 (1) Allocates at least ninety percent of its annual revenue
26 in home school grants for eligible children to allow them to
27 receive competent private instruction of their parents' choice.

28 (2) Awards home school grants only to eligible children who
29 reside in Iowa.

30 (3) Provides home school grants to eligible children
31 without limiting availability to only children of one home.

32 (4) Prepares an annual financial statement certified by a
33 public accounting firm.

34 f. "*Qualified educational expenses*" means expenses incurred
35 by a parent or guardian that are directly related to providing

1 competent private instruction for the eligible child under
2 chapter 299A. *“Qualified educational expenses”* includes but is
3 not limited to textbooks, payment to a licensed or accredited
4 tutor or practitioner, curriculum materials, tuition or fees
5 for live or online education programs, education materials and
6 services for an eligible child with disabilities, standardized
7 test fees, transportation expenses, and computer and internet
8 access fees.

9 *g. “Qualified instructor”* means a person who is providing
10 competent private instruction, as defined in section 299A.1,
11 in this state.

12 *h. “Total approved tax credits”* means for tax years
13 beginning on or after January 1, 2014, eight million seven
14 hundred fifty thousand dollars.

15 2. The taxes imposed under this division, less the credits
16 allowed under section 422.12, shall be reduced by a home school
17 grant organization tax credit equal to sixty-five percent of
18 the amount of the voluntary cash or noncash contributions
19 made by the taxpayer during the tax year to a home school
20 grant organization, subject to the total dollar value of
21 the organization’s tax credit certificates as computed in
22 subsection 7. The tax credit shall be claimed by use of a tax
23 credit certificate as provided in subsection 6.

24 3. To be eligible for the credit, all of the following shall
25 apply:

26 *a.* A deduction pursuant to section 170 of the Internal
27 Revenue Code for any amount of the contribution is not taken
28 for state tax purposes.

29 *b.* The contribution does not designate that any part of the
30 contribution be used for the direct benefit of any dependent
31 of the taxpayer or any other eligible child designated by the
32 taxpayer.

33 *c.* The value of a noncash contribution shall be appraised
34 pursuant to rules of the director.

35 4. Any credit in excess of the tax liability is not

1 refundable but the excess for the tax year may be credited to
2 the tax liability for the following five tax years or until
3 depleted, whichever is the earlier.

4 5. Married taxpayers who file separate returns or file
5 separately on a combined return form must determine the tax
6 credit under subsection 2 based upon their combined net income
7 and allocate the total credit amount to each spouse in the
8 proportion that each spouse's respective net income bears to
9 the total combined net income. Nonresidents or part-year
10 residents of Iowa must determine their tax credit in the ratio
11 of their Iowa source net income to their all source net income.
12 Nonresidents or part-year residents who are married and elect
13 to file separate returns or to file separately on a combined
14 return form must allocate the tax credit between the spouses
15 in the ratio of each spouse's Iowa source net income to the
16 combined Iowa source net income of the taxpayers.

17 6. *a.* In order for the taxpayer to claim the home school
18 grant organization tax credit, a tax credit certificate issued
19 by the home school grant organization to which the contribution
20 was made shall be attached to the person's tax return. The tax
21 credit certificate shall contain the taxpayer's name, address,
22 tax identification number, the amount of the contribution, the
23 amount of the credit, and other information required by the
24 department.

25 *b.* The department shall authorize a home school grant
26 organization to issue tax credit certificates for contributions
27 made to the home school grant organization. The aggregate
28 amount of tax credit certificates that the department shall
29 authorize for a home school grant organization for a tax
30 year shall be determined for that organization pursuant to
31 subsection 7. However, a home school grant organization shall
32 not be authorized to issue tax credit certificates unless the
33 organization is controlled by a board of directors consisting
34 of at least seven members. The names and addresses of the
35 members shall be provided to the department and shall be made

1 available by the department to the public, notwithstanding any
2 state confidentiality restrictions.

3 *c.* Pursuant to rules of the department, a home school grant
4 organization shall initially register with the department. The
5 organization's registration shall include proof of section
6 501(c)(3) status and provide a detailed description of the
7 geographic area the home school grant organization serves.
8 Once the home school grant organization has registered, it is
9 not required to subsequently register unless the geographic
10 area it serves changes.

11 *d.* Each qualified instructor that desires to be served by
12 a home school grant organization shall submit a participation
13 form annually to the department by November 1 providing the
14 following information:

15 (1) Certified enrollment as of October 1, or the first
16 Monday in October if October 1 falls on a Saturday or Sunday.

17 (2) The home school grant organization that represents the
18 qualified instructor. A qualified instructor shall only be
19 represented by one home school grant organization.

20 7. *a.* Each year by December 1, the department shall
21 authorize home school grant organizations to issue tax
22 credit certificates for the following tax year. Tax credit
23 certificates available for issue by each home school grant
24 organization shall be determined in the following manner:

25 (1) Total the certified enrollment of each participating
26 qualified instructor to arrive at the total participating
27 certified enrollment.

28 (2) Determine the per eligible child tax credit available
29 by dividing the total approved tax credits by the total
30 participating certified enrollment.

31 (3) Multiply the per eligible child tax credit by the
32 total participating certified enrollment of each home school
33 assistance organization.

34 *b.* For purposes of calculating certified enrollment in
35 this subsection, an eligible child receiving competent private

1 instruction from more than one qualified instructor shall
2 only be counted once. In the event an eligible child is
3 included in the certified enrollment of multiple qualified
4 instructors being represented by different home school grant
5 organizations, that eligible child shall be counted in the
6 certified enrollment of the qualified instructor providing the
7 greatest percentage of competent private instruction to the
8 eligible child.

9 8. A home school grant organization that receives a
10 voluntary cash or noncash contribution pursuant to this
11 section shall report to the department, on a form prescribed
12 by the department, by January 12 of each tax year, all of the
13 following information:

14 a. The name and address of the members and the chairperson
15 of the governing board of the home school grant organization.

16 b. The total number and dollar value of contributions
17 received and the total number and dollar value of the tax
18 credits approved during the previous tax year.

19 c. A list of the individual donors for the previous tax year
20 that includes the dollar value of each donation and the dollar
21 value of each approved tax credit.

22 d. The total number of eligible children utilizing home
23 school grants for the school year in progress and the total
24 dollar value of the grants.

25 e. The name and address of each qualified instructor
26 for which home school grants are currently being utilized,
27 detailing the number of eligible students and the total dollar
28 value of grants being utilized for each qualified instructor
29 served by a home school grant organization.

30 Sec. 2. Section 422.33, Code 2013, is amended by adding the
31 following new subsection:

32 NEW SUBSECTION. 30. The taxes imposed under this division
33 shall be reduced by a home school grant organization tax
34 credit allowed under section 422.11R. The maximum amount of
35 tax credits that may be approved under this subsection for a

1 tax year equals twenty-five percent of the home school grant
2 organization's tax credits that are authorized pursuant to
3 section 422.11R, subsection 7, for a tax year.

4 Sec. 3. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
5 immediate importance, takes effect upon enactment.

6 Sec. 4. APPLICABILITY. This Act applies to tax years
7 beginning on or after January 1, 2014.

8 EXPLANATION

9 This bill creates a nonrefundable individual and corporate
10 income tax credit equal to 65 percent of the voluntary
11 contributions made to a home school grant organization.
12 "Home school grant organization" is defined in the bill
13 as a 501(c)(3) tax-exempt charitable organization in Iowa
14 that allocates at least 90 percent of its annual revenue to
15 providing home school grants to Iowa children of compulsory
16 attendance age who are under competent private instruction and
17 who are members of households that have total annual incomes of
18 less than three times the federal poverty level. Additionally,
19 a home school grant organization must not limit availability
20 of grants to only children of one home, and must prepare an
21 annual financial statement certified by a public accounting
22 firm. "Home school grants" are grants to eligible children,
23 as defined in the bill, to cover expenses, including those
24 specified in the bill, incurred by a parent or guardian that
25 are directly related to providing competent private instruction
26 under Code chapter 299A.

27 Contributions may not be deducted as a charitable deduction
28 for state tax purposes or be designated for the direct benefit
29 of the taxpayer's dependents or any other eligible child
30 designated by the taxpayer.

31 A home school grant organization is required to register
32 with the department of revenue and shall be authorized to
33 issue tax credit certificates in amounts equal to the total
34 certified enrollment of the qualified instructors served by
35 the organization multiplied by a per eligible student tax

1 credit amount. The amount is determined by dividing the total
2 approved tax credits (\$8.75 million per year) by the total
3 certified enrollment of all qualified instructors served by
4 home school grant organizations. For purposes of calculating
5 the credit amount per home school grant organization, an
6 eligible child may only be counted once. If the eligible child
7 is included in the certified enrollment of multiple qualified
8 instructors being represented by different home school grant
9 organizations, the eligible child shall be counted in the
10 certified enrollment of the qualified instructor providing
11 the greatest percentage of competent private instruction to
12 the eligible child. "Certified enrollment" and "qualified
13 instructor" are both defined in the bill.

14 The tax credit is claimed by attaching the tax credit to
15 the taxpayer's income tax return. Any credit in excess of the
16 taxpayer's tax liability may be carried forward for a period
17 of five years.

18 The total home school grant organization tax credits that
19 may be approved in a tax year for the corporate income tax
20 cannot exceed 25 percent of the total credits authorized for
21 all home school grant organizations for a tax year.

22 Home school grant organizations are required to report
23 to the department of revenue information related to the
24 organization's governing board, the amount of contributions
25 received and the names of donors, the name and address of each
26 qualified instructor, the number of eligible children utilizing
27 grants, and the total amount of the grants.

28 The bill takes effect upon enactment and applies to tax years
29 beginning on or after January 1, 2014.